



# **Driving up Board Performance**

**Insights from Leadership Fellows**

March 2018

**Society of Leadership Fellows**  

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St George's House, Windsor Castle

# 16

## Introduction

This is the 16th in our series of “Insights from Leadership Fellows”. It draws on the outcomes of a Leadership Conversation organised by the Society of Leadership Fellows on March 20, 2018 on the theme of “Driving up Board Performance”.

We start by capturing seven insights that emerged through our discussions, before setting out a series of practical actions that Chairs, Chief Executives and Directors could take to drive up Board performance.

By the end of the Conversation, there was a strong sense among us that too many Boards are held back by a culture of low risk politeness that perpetuates a whole series of unhelpful habits on the grounds that it is best to say nothing rather than risk upsetting anyone!

We were clear that whilst the Chair is best place to lead the process of creating a more open culture among a Board, responsibility for this is shared by all members of the Board.

In many ways it is the sheer **predictability** of so many Board agendas that stifles the creativity of the Board. In our final practical action point we capture the sentiment of one Leadership Fellow who likened Board agendas to a "train". Her view was that free-thinking Boards have developed a knack for "stopping the train" every now and again, and this really struck a chord with us all!

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# Seven Insights

## We can all fall so easily into the “politeness trap” without owning the fact that we’re not really speaking our truth

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Those of us who are Chairs and Non-Executive Directors know that there are times when we should have said to our Chief Executive, or one of the Executive Directors, “*We need better than this*”.

Yet we hardly ever allow ourselves to say this sort of thing. We say that we must be polite in Board meetings - and can’t be so blunt.

In the same breath, we complain about lack of honesty on the part of others, without acknowledging that our concern with being polite compromises this honesty that we want to see in greater abundance.

So we need to “say it as it is” and deliver this new toughness with real honesty.

Of course, it is important that we get the tone right and deliver any tough messages with generosity and warmth.

We also need to make clear that we’re ready to hear tough messages at the same time as offering them up.

## **Too often we ourselves create role traps – for example, by saying that the Chair must do the “connecting”, whereas more often than not BOTH the Chair and CEO should be acting as connectors**

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# 2

We can easily find ourselves arguing in favour of certain behaviours on Boards because we believe that they are what's expected of us, rather than because they are right.

One example is to do with the role of the Chair, who is generally regarded as the person who should act as the bridge between the Non-Executive and Executive Directors.

The Chair definitely has the leading role to play in ensuring that connections are made across the Board in-between meetings, so that there are fewer surprises at the Board and all sorts of dialogues are brought to the table rather than having to start afresh.

At the same time, there are many Boards where the Chief Executive could play a more active role as a connector, too. Indeed, if the Chair and CEO were to share this role more, it would be an excellent way of ensuring that all Non-Executive and Executive Directors are talking to each other more in the run-up to Board meetings.

Any technical misunderstandings should have been sorted out, thereby clearing the way for a richer and fuller discussion at the Board, made possible because both the Chair and CEO have already been facilitating whatever connections needed to be made.

## So often, Boards don't develop the role of their third key player – who might be their Vice-Chair or Senior Independent Director – in the ways that they could

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### 3

Most Boards have a third senior office-holder who could play a key role in sharing the leadership of the Board. Sometimes that person is the Vice-Chair and at other times they are the Senior Independent Director (SID).

On too many Boards, however, this third role is treated as having only occasional significance. In these situations, the Chair and CEO can develop a very tight shared grip from the centre, that can cause resentment on the part of NEDs and Executive Directors alike.

This is why there is much to be said for NEDs and Executives jointly making clear that they want their Vice-Chair, or perhaps their SID, to play a more significant leadership role. They could, for example, ask them to act as the custodian of the organisation's values and behaviours, being the first to say at the end of the meeting whether they believe that any of the Board members' behaviours were out of line with their values as a Board.

To achieve a Board led by three people rather than two, you usually need some sort of specific approach to this third person to help define a wider role beyond that set out within the constitution of the Board. Rather than waiting for the Chair to take the initiative, it is often best if one of the NEDs opens up this debate.

For Boards that are seeking to develop more inclusive ways of working, this three-way leadership model has a lot to commend it.

## **Some CEOs seem to believe that a sign of being successful is that they shouldn't "need" their Board. On the contrary, one of the keys to being a successful CEO is that the Board see themselves as necessary to your success**

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# 4

There is a widespread view that CEOs should generally avoid asking their Board for help with tackling tricky problems, on the grounds that this could be interpreted as a sign of weakness.

Instead, many concentrate on reporting success stories to their Board and are reluctant to ask their Board for any support beyond approving proposals that they put before them.

More and more high performing Boards now have a very different sort of relationship with their Chief Executive. They regard any disclosure of under-performance as a sign of trust on the part of their Executive team.

Whilst they tend to be impatient and expect urgent action in response, they are more likely to remain loyal to a CEO who engages transparently with problems rather than minimising their significance because they are so keen to avoid any possible Board "interference".

As a general rule, the higher a Board performs the more likely they are to respond well – very well – to a CEO who says,

- *"I want to talk to you about something that I'm worried about, because I would really appreciate your advice about turning it round".*

## **When CEOs are prepared to ask their NEDs for help, this makes it easier for NEDs to reframe their role outside of Board meetings and become an informal sounding board for their Executives to support them in developing proposals before bringing them to the Board**

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# 5

This insight points to the considerable impact that a Chief Executive can have if they are prepared to seek their Board's advice in ways that would be resisted by those who believe that "strength" requires a high degree of self-sufficiency in relation to their Board.

Once a CEO is willing to seek the engagement of their NEDs in relation to some of the trickiest strategic challenges that they face, it becomes so much easier for NEDs to define their role more broadly in relation to their Executive team.

Instead of just being there to provide scrutiny and seek assurance, they can develop a more expansive view of their brief, inviting the CEO and Executive Directors to let them know how they would like to use them.

Some NEDs have greater influence over their Executive team outside of formal Board meetings than they ever do in the meetings themselves.

This is no surprise, really. The most effective capacity-building takes place in settings where authority tends to sit with those whose capacity is being built.

The same is so often true of leadership development: those who are being developed are much more likely to take the key messages on board when they feel that they have volunteered for this process.

## **In general, the induction process for NEDs doesn't work. Instead of NEDs being spoken at by senior staff, there should be more of a two-way process that involves NEDs offering feedback at the end of their induction**

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### **6**

One of the reasons why some NEDs end up being disruptive in Board meetings is because they feel over-managed by their Executive team, from day one. This starts with a one-way induction process.

If, instead of just being told what senior staff want them to be told, NEDs are made to feel significant and empowered from day one, just think how this could transform the transition of new members into full Board membership.

Why would there be any need for any of them to over-position at Board meetings if they feel able to make themselves seen and heard from day one?

This is why in the next section we offer a very specific proposal to ensure that

- Staff members involved in the induction of NEDs each ask them at least one thoughtful question and make a point of saying that they are keen to learn from them, because it is this collaborative culture that they see as one of the greatest strengths of their organisation.



## **Boards under-estimate the importance of cross-Board relationship-building at their peril! When things go wrong they can find themselves unable to stop suspicion and distrust from taking over, because the people around the Board table don't know each other well enough**

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# 7

So many Board Chairs and CEOs attach too much significance to their formal Board agenda and too little significance to the time that Board members spend together outside of meetings.

Whenever any business encounters a crisis, it is the interpersonal relationships between the Executives and Non-Executives that are key, and most of this relationship-building takes place outside of meetings.

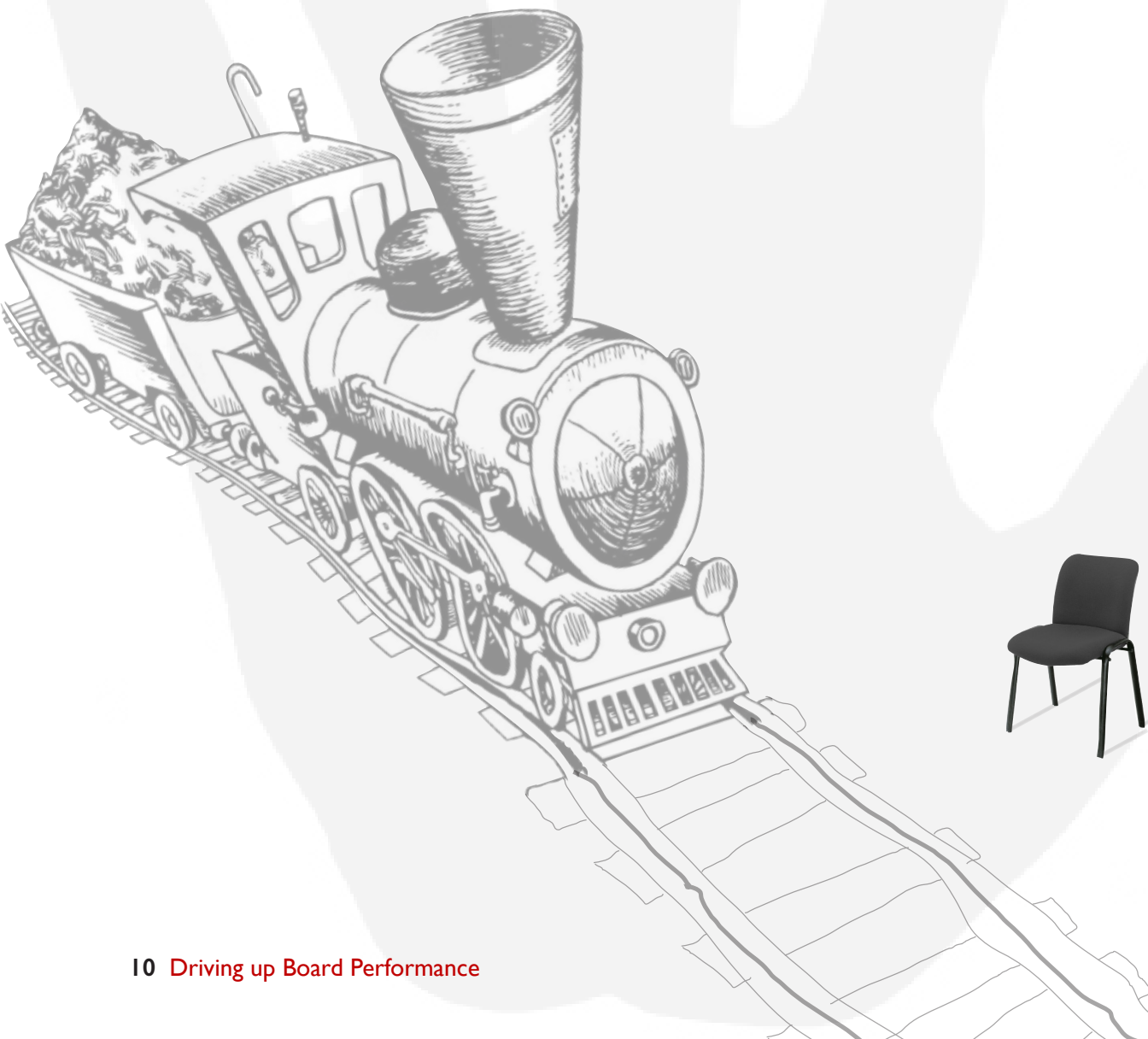
They determine how the Board set about managing the crisis and how much they are able to lead the organisation out of it as one single team.

This why informal events such as occasional dinners the night before a Board meeting, and occasional drinks after a Board meeting, are so incredibly important.

They build the identity of the Board as a group who freely invest in getting to know each other – and understanding the particular strengths and gifts that they each bring to the Boardroom.

# A to G

## Seven actions to drive up Board performance



## Chief Executives and Chairs: invite your NEDs to assess the induction process

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# A

Bring the NEDs together with your staff involved in the induction process and invite the NEDs to say:

- *What most excites them about joining the Board*
- *What, if anything, worries them about joining the Board*
- *What they most want out of the induction process.*

Then after each presentation and discussion, senior staff should ask the NEDs:

- *Did I give you what you were expecting?*
- *Was there anything about my presentation that made alarm bells ring for you and we might need to return to on another occasion?*

At the end of the induction process, each NED completes a form to be shared with all staff involved:

- *Assessing the usefulness and clarity of each element of the process*
- *Commenting on whether they feel that their professional experiences were acknowledged by the staff presenting to them – and whether any members of staff deserve special recognition for how they engaged with them.*

## **Chairs: occasionally create a matrix of expectations at the beginning of a Board meeting, for review at the end**

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**B**

At the beginning of a Board meeting, ask what individual members hope to achieve through the meeting and how they each hope to add value to the discussion. Invite a member of staff to write up their answers as a matrix, in two sections: AIMS and ADDED VALUE, and with their initials by each one.

Make sure that every member of the Board has their answers written on the flipchart/s and then invite a member of the secretarial staff to type this up whilst the meeting is underway and bring back copies for you (with one for each member of the Board) when they are ready.

At the end of the meeting, pass round the matrix and ask each member of the Board to score their own performance out of 10, in relation to aims achieved and value added as captured by them at the outset (with a separate score for each), and then with an overall score for the performance of the Board as a whole.

Board members share their scores, and those that are tough on themselves are appreciated for their candour.

You ask Directors how they hope to contribute more at the next meeting and ensure that the overall score is higher than it has been today.

Before closing the meeting, you invite feedback about how you might have improved your own performance as Chair, and whether anyone feels that the score you have given yourself should have been any tougher.

## Chairs: occasionally use check-in and check-out questions to encourage higher levels of honesty at Board meetings

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Whenever you use a checking-in system, it's important to ask a different question each time. If Board members have a chance to prepare for it, its impact is much diminished. For example:

- *“Before we start going through today’s agenda, is there anything in the rest of your life that you’re particularly worried about that you want to flag up now, so that we know a little more about what else is in your mind apart from our business as a Board?”*
- *“We have a strong set of papers before us from the Chief Executive and her team. Without getting into detail now, which one offers the greatest clarity and sense of purpose, and which one do you regard as the least persuasive in advance of our discussion?”*

The same applies to a checking-out system at the end of a Board meeting. You always need to vary the question. For example:

- *“Before we close the meeting, can you tell us which discussion you regarded as our most productive – and what it was that made it work so well?”*
- *“If you could suggest one thing you would have liked me to have done differently today as Chair, to improve the quality of our discussions, what comes to mind first? Please don’t feel you have to be polite!”*

## **Chairs: establish the principle that it's not acceptable for a NED to go through the whole of a Board meeting without saying a word – and if they do, you will expect them to find other ways of adding value to their Board colleagues**

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**D**

Here again, the knack is to come up with a proposal that others are not expecting you to suggest, in order to keep them on their toes and add in that extra level of dynamism that comes through unpredictable leadership behaviours:

● *“We have a big presentation coming up from the Chief Financial Officer next time on our financial plan for the next 3 years. John, you haven't come in on any of the discussions today, and I would be grateful if before the next Board you would make a point of spending some time with Sarah to support her in sharpening up the main financial options for us as a Board. We need rather more from you, John, than you have been able to give us today, and I am sure that we would all benefit from you taking on this role.”*

OR

● *“John, we haven't heard your voice today and I would like us all to gain rather more benefit from your experience next time. I would like to set aside 30 minutes for a discussion on how we could work together more effectively as a Board. Would you please make a point of talking to at least 3 of the Exec Directors and 3 of your fellow NEDs and then give us a 5-minute opening to kick off this discussion. Thanks ever so much.”*

You are open and positive, and very clear that it is simply not an option for NEDs to sit there and say nothing.

**Chairs: when you don't have any of your customers represented at Board meetings, make sure there is occasionally an empty chair - and defer to it, asking what Directors think they would say if they were round the table**

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**E**

An empty chair can have a real impact on the meeting, so long as you are careful to make sure that you refer to it every now and again and challenge your Board on what the customer/ consumer/ user view would be.

(In Amazon it has been their regular practice for years to leave one seat empty around their conference table and Jeff Bezos will refer to that as their customer's chair. Worth reminding ourselves that they are now the third most valuable company in the USA, ahead of Microsoft and not far behind Apple and Alphabet.)



## **NEDs: make sure you ask any technical questions that you want to ask Exec. Directors BEFORE the Board meeting**

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**F**

This is bound to sound incredibly obvious to some. And yet the fact remains that there are many Boards where this does not happen.

A NED will think it is fine to ask a technical question about some minute point of detail without having shown the courtesy of putting their question to the Executive Director concerned before the Board meeting.

Suppose the Chair were to say, every time there is a technical question from a NED:

- *“Did you raise that beforehand with the Exec Director responsible - and are you unhappy with their answer? Oh, so you didn't raise it one-to-one first? I am surprised. Next time please try, because the clock is ticking and we know we are going to run out of time on some key strategic agenda items!”*

Where a NED pursues a question that they did take up with an Executive Director before the meeting, and remains dissatisfied with the answer, this is then an issue on which the Chair needs to champion their NED:

- *“You asked your question beforehand, Darren, and weren't satisfied, and now the level of assurance given by the Chief Financial Officer seems to lack a certain clarity. So, may I suggest that the Chief Executive and I meet with the two of you at the end of this meeting and one of us sends a note round the Board on what we have agreed ....”*



## Chairs and CEOs: do something unpredictable with the agenda for each Board meeting to “stop the train” (briefly!)

# G

The theme of a number of these action points is the importance of unpredictable behaviours to jolt Boards out of the patterns of behaviour that can so easily stifle their creativity and entrepreneurial spirit. There is no area where this is more important than that of Board agendas!

Some Boards have not changed the structure of their agendas for years and there is an utter predictability about them. This is why it would be brilliant if the two of you, as Chair and CEO, could have a shared resolve to do **something** unpredictable in relation to each Board agenda. For example:

- *This might sound silly, but you could put Any Other Business in the middle of the agenda.*

It just takes away that sense of the agenda as a train that will go to certain stations yet again, in exactly the same way as before, without fail.

Predictable agendas are nearly always accompanied by predictable behaviours on the part of Board Directors.

If you can introduce some unpredictable element into each agenda, you will have helped to **stop the train** – and create the space for your Board to think and act that bit differently!

